

DRAFT
Nebraska Information Technology Commission
NETCOM Pilot Project Endorsement
Thursday February 21, 2002

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A. Project Summary

NETCOM is an acronym for Nebraska Telecommunications, which is the name of the state's data and video communications system. The NETCOM project is an effort to aggregate purchasing power of public entities in order to achieve several goals regarding telecommunications services. The pilot project will serve as a proof of concept on a smaller scale prior to statewide implementation.

B. Statutory Responsibility of the NITC

The NETCOM pilot project serves the following statutory directives of the NITC.

1. **Section 86-1502 (2).** It is the intent of the State of Nebraska to support the development of a unified statewide telecommunications infrastructure. The statewide telecommunications infrastructure will be scalable, reliable, and efficient. It is further the intent of the Legislature that the provisions of sections 86-1501 to 86-1514 serve to coordinate the state's investments in information technology in an efficient and expeditious manner.
2. **Section 86-1606 (3).** [The Commission shall] review and adopt policies to provide incentives for investments in information technology infrastructure services;
3. **Section 86-1514 (1).** It shall be the policy of the state to ... (b) Stimulate the demand to encourage and enable long-term infrastructure innovation and improvement; and (c) Organize technology planning in new ways to aggregate demand, reduce costs, and create support networks; encourage collaboration between communities of interest; and encourage competition among technology and service providers.

C. History

In November 1998 the Nebraska Information Technology Commission requested a feasibility study on whether public spending on telecommunications could be leveraged in a way that advances the availability of broadband services statewide. In partnership with the NITC, the Division of Communications (DOC) conducted an inventory and needs assessment of telecommunications in the state. The study included face-to-face interviews with approximately 250 participants, 410 survey forms, and 3 focus groups with over 125 participants. The study surveyed state agencies, higher education, K-12 education, local government, health care providers, libraries, and other communities of interest. The purpose was to document as thoroughly as possible current and future demand for telecommunications.

The outcome of the needs assessment study was a recommendation to the NITC that the state explore the feasibility of aggregating public telecommunications demand by using a “prime contractor with postalized rates over a private telecommunications infrastructure”. The NITC accepted this recommendation, and DOC with assistance of a broad-based advisory group developed the NETCOM Request for Proposals (RFP). Some of the key goals of the RFP included:

1. To reduce voice, data, and video communications costs of state government, and/or to provide additional value-added services at reasonable rates;
2. To reduce administrative burdens/complexities (i.e., multiple contracting, multiple billing, order entry) by working with a single prime contractor for coordination activities;
3. To improve quality assurance, service level capabilities, and network management/monitoring through the creation of a Network Operations Center (NOC);
4. To reduce the disparity of costs among users through adoption of postalized rates;
5. To provide a telecommunications infrastructure that will support governmental, educational and economic development initiatives throughout the state;
6. To leverage the state’s purchasing power to promote economic development by expanding availability of broadband services to more areas of the state.

The RFP generated five bids. After extensive review, the Division of Communications rejected all bids because they failed to meet the goals of the RFP. Specifically, each of the bids proposed to build a private network, which would have required a significant outlay of state funds and would have precluded any economic development benefits to small towns and rural Nebraska. A fundamental premise of NETCOM from the beginning has been to leverage state spending in a way that encourages investment in telecommunications infrastructure in communities. None of the proposals met that key objective.

D. Options

There are two basic options under consideration. One option to continue the work toward a statewide solution by undertaking a proof of concept scenario in one or more strategic locations within the state. Although a proof of concept scenario may not demonstrate every advantage of full deployment of a statewide network, demonstration of the administrative, financial and operational issues associated with this project would give the participants and the telecommunications providers the ability to assess the achievement of the goals defined. The major advantage of this approach is a high probability of success without committing to a statewide deployment. A disadvantage is that this proof of concept expands the timeframe for implementation of a statewide network outside of the proof of concept area.

The other option is to issue a revised RFP for statewide telecommunications services. To be successful, a new RFP would need to address many of the barriers seen in the

first RFP by telecommunications providers. These included items such as a demonstration of firm commitments by potential participants; explicit sources of funding to buy down the rates for high cost areas to achieve postalized rates, demonstration of private need for services, etc. The advantage to this option is immediate, statewide coverage. The disadvantage is the legal and logistical difficulty of organizing potential participants on a statewide basis. Also, there is the risk of not having any proposals that meet the state's needs at an affordable price.

E. Recommendation

The Technical Panel recommends that the NITC endorse a pilot project, as described below.

NETCOM Pilot Project Description

A. Purpose

The purpose of the NETCOM Pilot Project is to demonstrate the feasibility and benefits of aggregating demand for telecommunications services among public entities. The pilot project will also serve to identify administrative, procedural, and technical issues, and make recommendations for resolution, prior to statewide implementation.

B. Charter

The NETCOM Pilot Project will operate under Technical Panel of the NITC, pursuant to the Charter established for the Network Architecture Work Group. As identified in that Charter, the workgroup sponsor will be Brenda Decker, Director of the Division of Communications, Department of Administrative Services. The workgroup sponsor, as well as the Network Architecture Work Group, is responsible for all aspects of the pilot project.

The Network Architecture Work Group shall make recommendations to the Technical Panel on design, management, and administrative issues.

C. Goals

To the greatest extent feasible, the pilot project will accomplish the following goals:

1. Document cost savings from aggregation;
2. Demonstrate interagency and intergovernmental partnerships;
3. Establish administrative arrangements;
4. Implement and support emerging technologies; and
5. Demonstrate economic development potential.

D. Pilot Selection Process

1. Initial Pilot

The selection of the location for the initial pilot project will depend on the following factors:

- a. Joint requirements of the University of Nebraska and State of Nebraska to meet immediate telecommunications needs;
- b. Potential for additional state or local partners/participants including the general public and local businesses;
- c. A local telecommunications provider that will participate in a pilot project that promotes the goals of the NETCOM RFP. This provider must also be willing to make the necessary investment in the local telecommunications infrastructure in a timely manner, and promote economic development opportunities within the community;
- d. Cost-effective pricing for the local and long-haul components; and
- e. Other factors that will promote the goals of the pilot project.

2. Additional Pilot Projects

The initial pilot project may be sufficient to achieve the purpose and goals stated earlier. The state may also consider conducting additional pilot projects

in other geographic locations if it is deemed beneficial. The same factors listed in Section F (1) would apply to choosing another location. Other considerations would include:

- a. Strengthening the business case and potential for success of statewide implementation;
 - b. Community interest in promoting economic development opportunities that rely on broadband technologies;
 - c. Including new types of partners as telecommunications users;
 - d. Expanding to other geographic areas with different demographic and economic characteristics.
3. Statewide Expansion
- The purpose of the pilot project(s) is to pave the way for statewide implementation as rapidly as possible. Experience with the pilot project(s) will help determine the method and timetable for statewide implementation. In addition, the following issues will need resolution:
- a. Administrative management, including ordering and billing;
 - b. Technical support and quality assurance;
 - c. Disparity of costs between low-cost and high-cost areas;
4. Relationship to the Nebraska Network Work Group
- The purpose of the NETCOM pilot project is to demonstrate the feasibility and benefits of aggregating raw bandwidth requirements of multiple entities. The Nebraska Network Work Group is exploring the feasibility of a joint operation to develop a shared digital network serving multiple entities. The Nebraska Network Work Group will make recommendations concerning the business case justification, requirements, participation, governance, operations, and funding. A successful NETCOM pilot project that can be expanded statewide will provide the foundation for possible implementation of shared digital networks.

E. Participation

1. Telecommunication Users (Partners)

To be part of the pilot project, a partner must be a department, agency, or subdivision of state government, pursuant to the statutory authority of the Division of Communications. Partners will be required to commit to the project through a signed memorandum of agreement.

2. Providers

All providers must be “regulated and certificated by the Public Service Commission in the area or areas in which such services are rendered,” pursuant to Section 81-1120.19. All participating providers must be willing to work with the state to overcome any legal, technical, or administrative barriers to implementation in a timely manner.